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**MMARS Policy: Internal Controls**

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## **Subrecipient Monitoring Policy**

### **Executive Summary**

A large percentage of the federal funds received by the Commonwealth are expended by subrecipients rather than by Commonwealth departments themselves. Department management must continue to monitor the entities to which they grant their federal funds. Departments are reminded that during times of fiscal difficulty, department heads and their staff must be responsible stewards of the funds entrusted to us as public servants.

### **Considerations**

As part of the Federal Government's expanded monitoring of expenditures, federal agencies have begun to increase their audit presence at state and local government agencies. CTR has noticed federal auditors in many more departments recently. A primary focus of these audits is reviewing grantees' monitoring of sub-recipients.

Each year the Office of Management and Budget (OMB) publishes a guide to identify the compliance requirements that the Federal Government expects auditors to review as part of a single audit. The [OMB Circular A-133 Compliance Supplement](#) adds new material to emphasize and provide guidance on what the federal government considers adequate sub-recipient monitoring. Agencies should pay particular attention to Part 3 of the circular, which outlines compliance requirements and the relevant sections of Part 4, which outlines the details of each federal grantor's program requirements.

Given the increased focus on sub-recipient monitoring by the Federal Government along with budget cuts, staffing cuts, and government reorganizations, continued access to Federal funds will be at risk unless agencies maintain careful management and monitoring of sub-recipients.

## **Policy**

State departments that accept federal funds are responsible for monitoring the use of those funds, even when the grants are passed through to one or more non-profit providers or other government agencies (sub-recipients). Even though a department does not expend the funds for department use, the department is responsible for sufficient oversight of the funds to ensure funds are spent in accordance with the federal grant requirements. Grants generally allow, or even provide for, a portion of the funding to be used for management/administrative activities. When programs are being cut, the temptation to retain fewer dollars for management/administration in order to be able to provide more funds to the program can be great. Departments must, however, responsibly monitor the use of these funds. Carefully monitored funds have a much higher probability of being continued, benefiting the citizens of the Commonwealth.

## **Internal Controls**

Subrecipient monitoring is a crucial internal control function, required by federal granting agencies. Reporting requirements for sub grantees become part of the grant agreement and are monitored on a regular basis.

## **Information Sources**

- Related Procedure – None
- Related Policies – State Finance Law; State Grants and Federal Subgrants
- Legal Authority - [M.G.L. c.7A](#)
- Attachments - None
- Links – [OMB Circular A-133 Compliance Supplement](#)
- Contacts – [CTR Help Desk](#)